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UNCLAS ALMATY 001927

SIPDIS

DEPT FOR EUR/CACEN MUDGE
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KZ](#) [ECONOMIC](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE

May 1-14, 2005

[1](#)1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. government.

- Mazhilis Committee Suggests Foreign Borrowing Limits
- Pipe Plant Launched in Aktobe
- Latvia Opens Trade Mission in Kazakhstan
- Economic Statistics
- KazMunayGaz Acquires 50% of BG's Kashagan Share
- GoK Outlines Caspian Port Development
- First Kazakhstani Tanker to Arrive at Aktau Port
- Kazakhstan Restricts Turgai Petroleum Oil Production
- Atyrau Oblast Administration Criticizes Foreign Companies

Mazhilis Committee Suggests Foreign Borrowing Limits

[1](#)2. "Inflation is being pushed in Kazakhstan by a huge amount of external borrowing by commercial banks, and almost uncontrollable foreign borrowing by the national private sector. Therefore, it would be effective to introduce a parliamentary approval system over ceilings for corporate foreign borrowing," Chairman of the Committee on Finance and Budgeting Kenzhegali Sagadiyev said during a joint session of Parliament. According to him, "as of September 30, 2004, inter-company debt grew two-fold over the past four years, from \$6.9 billion in 2000 to \$13.6 billion in 2004." Sagadiyev defined it as a threat to national economic security. (Interfax-Kazakhstan, May 06)

Pipe Plant Launched in Aktobe

[1](#)3. On May 12, Kazakhstani President Nursultan Nazarbayev participated in the opening ceremony of a plant producing pipes and fittings using glass fiber-fortified polyester. This project was implemented by Hobas Pipes Kazakhstan Ltd. and financed by a 14.7 million Euro loan from the state-owned Development Bank of Kazakhstan. The design capacity of the plant is 190,000 meters of pipe with diameters ranging from 200 mm-1.4 m per annum. The estimated useful life of the pipes is 80-100 years. These products are intended for the domestic market to provide the population with high-quality potable water. (Interfax-Kazakhstan, May 12)

Latvia Opens Trade Mission in Kazakhstan

[1](#)4. The Latvian Investment and Development Agency opened its representative office in Kazakhstan in 2002; however, now Latvia has decided to open its trade mission in the republic in order to expand commercial bilateral ties. The trade mission's head, Andrejs Pumpurs, reports that trade turnover between Latvia and Kazakhstan was \$11.5 million last year, which is up 85.9% compared to 2003. The key objective of the mission will to provide Kazakhstani businessmen with information about Latvian business opportunities, its national laws and tax system. (Interfax-Kazakhstan, May 12)

Economic Statistics

[1](#)5. The net profit of the republican state enterprise Aktau International Trade Seaport on the Caspian Sea was KZT 344,347,000 (approximately \$2.7 million) in the first quarter of 2005, according to the company's financial statements published in the official press. The seaport's net profit in Q1 2004 was KZT 530,710,000 (about \$4.1 million). As reported elsewhere, Aktau seaport transshipped a total of 2.7 ml tons of freight in January-March 2005. (Interfax-Kazakhstan, May 06)

16. Kazakhstan Temir Zholy (KTZ), the national rail company of Kazakhstan, closed the first quarter of 2005 with a net loss exceeding KZT 1.427 billion (approximately \$11 million.) The company drew a net profit of KZT 915.3 ml (approximately \$7 million) in January-March 2004. Currently, the company accounts for more than 68% of the total cargo turnover and

over 57% of passenger turnover in the country. More than 125,000 people are employed in Kazakhstan's railway industry. (Interfax-Kazakhstan, May 11)

KazMunayGaz Acquires 50% of BG's Kashagan Share

17. On May 4, Agip KCO and the GoK finalized Kazakhstan's 50% purchase of British Gas's (BG) share (16.67%) in the North Caspian project for \$913 million. Approximately \$300 million of the sales price went for cash calls made since the initial sale was announced in 2003. At present, ENI, ExxonMobil, Shell and Total each control 18.52%, up from 16.67% while ConocoPhillips has 9.26% versus 8.33% before the purchase. INPEX and state producer KazMunayGaz (KMG) each have 8.33%.

18. KazMunayGas (KMG) President Uzakbay Karabalin announced that Kazakhstan self-financed the purchase, thanks in part to internal company restructuring. Kazakhstani Energy Minister Vladimir Shkolnik reported that during the life of the 40-year PSA, Kazakhstan will earn \$60 billion, and the consortium will gross \$85 billion, though \$57 billion of that is cost oil. (Interfax - Kazakhstan, May 09)

GoK Outlines Caspian Port Development

19. The GOK announced that Kazakhstani oil transport across the Caspian will increase from 4.8 million tons in 2004 to 38 million tons per annum in 2016. The government plans to conduct a feasibility study of Kuryk, a new port south of Aktau, as well as to increase Aktau's capacity. There are also plans to construct a railway and highway from Kuryk to Atyrau, and to build a shipyard. (Interfax - Kazakhstan, May 09)

First Kazakhstani Tanker to Arrive at Aktau Port

110. KazMorTransFlot (KMTF) announced the arrival in Aktau of the first Kazakhstani tanker, "Astana," on May 22. The 12,000 ton tanker was built at Russia's Vyborg ship yard. (Interfax - Kazakhstan, May 09)

Kazakhstan Restricts Turgai Petroleum Oil Production

111. Kazakhstan's Energy Ministry limited oil production at Turgai Petroleum, a Lukoil/PetroKazakhstan joint venture, because of excessive flaring. Daily oil production was restricted by 24,800 barrels in response to alleged environmental damage caused by gas flaring at the Kumkol field. The reduction is one one-third of planned production for 2005. The production limits will remain in force during 2005 until the company adheres to a December 2004 law on "full gas utilization." (Interfax - Kazakhstan, May 02)

Atyrau Oblast Administration Criticizes Foreign Companies

112. On April 25, the appointed governor of Atyrau Oblast charged foreign companies with discriminating against local employees. He singled out ChevronTexaco's TCO, Agip KCO, and the state owned Atyrau refinery. The same day, the Oblast Administration and 136 foreign companies signed a bilateral labor agreement. (Interfax - Kazakhstan, May 02)

ASQUINO

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